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STATE FOR WHA/CEN, WHA/EPSC, AND EEB
TREASURY FOR SARA GRAY
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STATE PASS TO USTDA

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SUBJECT: Nicaraguan Port Authority signs grant with USTDA

REF: A) MANAGUA 2116, B) MANAGUA 327

11. (U) Summary: On August 23, the National Port Authority (EPN) signed a \$510,000 grant agreement with the United States Trade Development Agency (USTDA) for technical assistance in drafting a National Ports Law. The new law will allow, for the first time, public-private investment in the country's small and inadequate ports. Noting that almost 60% of all Nicaragua maritime trade must pass through either Honduras or Costa Rica, EPN President Silva asserted that private investment in this sector is vital for modernization and for Nicaragua to be competitive. In his remarks at the event, the Ambassador sent a strong message about the importance of a clear and stable legal environment in attracting foreign investment. End Summary.

12. (U) On August 23, the National Port Authority (EPN) hosted a signing ceremony to publicize a grant agreement between EPN and the United States Trade Development Agency (USTDA) for technical assistance in drafting a National Ports Law. The \$510,000 award will help create a law which would allow, for the first time, public-private investment in the country's small and inadequate ports (Ref B). The Ambassador signed the grant agreement on behalf of USTDA and EPN President Virgilio Silva signed the agreement on behalf of EPN. Vice Minister of Foreign Affairs for Cooperation Valdrack Jentske and Minister of Finance Alberto Jose Guevarra topped the list of Nicaraguan officials attending the ceremony.

13. (U) EPN President Silva used the ceremony as a political platform to both criticize the previous EPN administration for "bankrupting" the maritime agency (a charge that has not been proven) and promote the development of a National Ports Law. Silva asserted that private investment "is vital to the modernization of the country's port" and that the creation of National Ports Law is "a necessity to be competitive." A brief slide show featuring photos of a dilapidated Port of Corinto on the Pacific coast and the lack of a port of the Atlantic coast supported Silva's message. "Almost 60% of all Nicaragua maritime trade must pass through either Honduras or Costa Rica and travel overland to Nicaragua," Silva asserted. "This demonstrates a profound lack of shipping capacity and economic competitiveness in the region."

14. (U) In his remarks, the Ambassador addressed the misuse of a tax lien to attach Exxon assets at the Port of Corinto (Ref A) and sent a strong message about the importance of clear and stable law in attracting foreign investment. "We are supporting the creation of a port's law because foreign investment can only be achieved inside a stable legal framework, where the rules of the game are clear," stated the Ambassador. While Exxon is a large company able to weather the storm, other smaller investors "see the horror of the

government taking private property and using it for their own purposes." "How does this impact the perception of foreign investors?" the Ambassador asked the audience of 25 Nicaraguan officials and maritime industry leaders.

15. (U) The USTDA grant is the third in Nicaragua under USTDA's Commercial Integration Initiative. Currently in Nicaragua USTDA is funding a \$470,000 feasibility study for the expansion of the Port of Corinto and a \$320,000 study for the expansion of cargo handling facility at Managua International Airport. USTDA has invested more than \$6.2 million in Central American countries via its Commercial Integration Initiative.

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